

MINUTE ITEM

14. REQUEST FOR APPROVAL OF PROPOSED FIRST AMENDMENT TO UNIT AGREEMENT, FAULT BLOCK III, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B W.O. 10,101.

In presenting Calendar Item 20 attached, the Executive Officer asked that the staff recommendation be modified to read: "IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE FIRST AMENDMENT TO UNIT AGREEMENT, FAULT BLOCK III UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, CALIFORNIA, SUBJECT TO THE CONDITION THAT THE CITY SUBMIT EVIDENCE THAT ALL OTHER PARTIES TO THE AGREEMENT HAVE AGREED TO THE AMENDMENT." This modification was requested because the additional condition originally proposed requiring receipt of "FORMAL RESOLUTIONS EXPRESSING THE APPROVAL BY THE CITY COUNCIL AND THE HARBOR DEPARTMENT" is no longer necessary, since these documents have now been received by the State Lands Commission.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED APPROVING THE FIRST AMENDMENT TO UNIT AGREEMENT, FAULT BLOCK III UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, CALIFORNIA, SUBJECT TO THE CONDITION THAT THE CITY SUBMIT EVIDENCE THAT ALL OTHER PARTIES TO THE AGREEMENT HAVE AGREED TO THE AMENDMENT.

Attachment

Calendar Item 20 (1 page)

CALENDAR ITEM

20.

REQUEST FOR APPROVAL OF PROPOSED FIRST AMENDMENT TO UNIT AGREEMENT, FAULT BLOCK III, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,101.

The Board of Harbor Commissioners of the City of Long Beach has submitted for approval by the State Lands Commission a draft of the First Amendment to Unit Agreement, Fault Block III, Wilmington Oil Field. (Refer to Exhibits "A" and "B" attached.)

The purpose of this amendment is to change the interim equity amounts as set forth in the Unit Agreement so that they conform more nearly to the final revised equity amounts for the various producers in Fault Block III.

The City's present interim equity under the Unit Agreement is 13 percent of the unitized substances produced. It is anticipated that the City's final revised primary equity will be approximately 19 percent. The City has actually produced approximately 23 percent of the oil from Fault Block III since the effective date of the Unit Agreement. On the basis of this production of 23 percent and a continuing interim equity of 13 percent, the City would be obligated to deliver to other working interest owners in Fault Block III an amount of oil valued at approximately \$700,000. Upon final determination of primary equities, the other working interest owners would then be obligated to redeliver oil to the City. The proposed amendment would avoid these needless transfers and minimize differences between present operations under interim equities and the anticipated final primary equities.

The proposed amendment has been approved in principle by the Board of Harbor Commissioners of the City of Long Beach and by the City Council of the City of Long Beach, and the other parties to the Agreement have agreed to the amendment. Formal resolutions expressing the approval by the City Council and by the Harbor Department and evidence that the other parties to the Agreement--Union Pacific Railroad and Southern California Edison Company--have agreed to the amendment will be submitted by the City.

The office of the Attorney General has reviewed the proposed Amendment to the Unit Agreement and has advised that legally it is unobjectionable, and that the Commission in its discretion properly may give advance approval to the amendment, pursuant to the provisions of Section 10(b), Chapter 29, Statutes of 1956, 1st E.S.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE FIRST AMENDMENT TO UNIT AGREEMENT, FAULT BLOCK III UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, CALIFORNIA, SUBJECT TO THE CONDITION THAT THE CITY SUBMIT:

1. FORMAL RESOLUTIONS EXPRESSING THE APPROVAL BY THE CITY COUNCIL AND THE HARBOR DEPARTMENT:
2. EVIDENCE THAT ALL OTHER PARTIES TO THE AGREEMENT HAVE AGREED TO THE AMENDMENT.